



## Legislation Text

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**File #:** 19-076, **Version:** 1

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*Report Prepared by: Kim Espinosa, Planning Manager, Development Services Department*

**SUBJECT:** Report - Approval of Professional Services Agreement with EMC Planning Group in the Amount of \$423,136 for the Preparation of a North Merced Annexation Feasibility Study

### REPORT IN BRIEF

Considers approving a Professional Services Agreement with EMC Planning Group in the amount of \$423,136, for the preparation of a North Merced Annexation Feasibility Study.

### RECOMMENDATION

**City Council** - Adopt a motion:

- A. Approving a Professional Services Agreement with EMC Planning Group, Inc., in the amount of \$423,136, for the preparation of a North Merced Annexation Feasibility Study; and,
- B. Authorizing a Supplemental Appropriation in Fund 017-Development Services in the amount of \$220,136; and,
- C. Authorizing the Finance Officer to make the necessary budget adjustments; and,
- C. Authorizing the City Manager or the Assistant City Manager to execute the documents; and,
- D. Directing City staff to pursue the development of a North Merced Annexation Feasibility Study Reimbursement Fee to recover the cost of the project from future applicants for annexation within the Study Area.

### ALTERNATIVES

- 1. Approve the agreement and budget adjustments as recommended by staff; or,
- 2. Approve the agreement and budget adjustments, subject to modification by City Council (identify specific items to be amended in the motion); or,
- 3. Deny; or,
- 4. Refer to staff for reconsideration of specific items (to be addressed in the motion); or,
- 5. Continue to a future City Council meeting (date and time to be specified in the motion).

### AUTHORITY

The Cortese-Knox-Hertzberg Local Reorganization Act of 2000 establishes procedures for city annexations and other local government changes of organization.

### CITY COUNCIL PRIORITIES

The FY 2018-19 Council Goals and Priorities identified “Future Annexations/Growth of City” under “Future Planning.”

## **DISCUSSION**

### Background

On January 3, 2012, the Merced City Council adopted the *Merced Vision 2030 General Plan*, which includes a 28,000-acre growth boundary [known as the Specific Urban Development Plan (SUDP)/Sphere of Influence (SOI)]. In August 2016, the City of Merced executed a new Tax Sharing Agreement with the County of Merced, which allows annexations to the City to move forward.

Prior to the adoption of the General Plan, throughout the 1980’s, 1990’s, and early 2000’s, the City grew at a steady pace and annexations occurred on a regular basis. In fact from 1997-2008, 20 annexations were completed adding over 3,835 acres of residential, commercial, and industrial land to the City’s inventory. The last annexation to the City was completed in 2009, just after the start of the great recession. From 2009 to 2015, no annexation applications were considered by the City due in part to the downturn in the economy and housing market as well as the lack of a tax sharing agreement with the County.

In 2015 and 2016, two annexation applications for properties directly adjacent to the City Limits (of approximately 8 and 28 acres respectively) were submitted to the City, and have been going through the environmental review process and City approval process. Also during this time, the City began work on the City’s Wastewater Collection System Master Plan to address wastewater collection infrastructure required to serve the City’s Sphere of Influence; this work is on-going.

Starting in 2017 and into 2018, the City began meeting with property owners interested in pursuing annexation to the City of Merced for large properties within North Merced in the vicinity of the UC Merced campus. The potential annexations currently being considered in the North Merced Area are of various sizes, locations, and purposes or potential uses. Annexation laws and adopted LAFCO procedures, as well as the City’s General Plan policies, make those areas immediately adjacent to the existing city limits, or “contiguous,” the easiest and most likely areas to annex. Those areas of interest that are not adjacent to the current city limits (“non-contiguous”) may be annexed, but will require a larger working group of property owners to ensure the area can be annexed as one contiguous area. The City’s General Plan also discusses some annexation priorities to create continuity with UC Merced and promote economic development.

The City has consulted with Merced County LAFCO staff regarding the general interest and location of the proposed annexations. Given the number of interested potential applicants and scale of the potential annexations, LAFCO would like the City to consolidate the annexations into as few as is feasible that also provide for a comprehensive planning and service approach that is orderly and logical, which is consistent with the City’s General Plan and Bellevue Community Plan (BCP) policies. (The BCP calls for annexations to begin along the Bellevue Corridor in order to create continuity with UC Merced.) Additionally, LAFCO is discouraging any annexations that create irregular boundaries.

In May 2018, City staff held a joint meeting with the owners and developers of large parcels in North Merced regarding a potential North Merced Annexation. Merced County LAFCO staff was also

present. City staff indicated that the City would be moving forward with obtaining consulting services to determine the feasibility of a large North Merced annexation. The property owners were also told that the City would be seeking reimbursement for the cost of those consulting services from those properties which will benefit from the proposed annexation.

The North Merced Annexation Feasibility Study Area consists of approximately 7,600 acres within the City's Sphere of Influence, generally located east of G Street and north of Yosemite Avenue (Attachment 1). The Study Area currently has approximately 700 separate parcels and over 600 property owners. However, there are approximately 10 to 15 property owners who control large areas who have expressed strong interest in annexation to the City.

### Request for Proposals Process

On August 27, 2018, City staff sent out a Request for Proposals (RFP) to 15 to 20 consultants, with proposals due on October 4, 2018. The City received 2 proposals-one from EMC Planning Group and one from Quad-Knopf. On November 15, 2018, the two consultant teams made presentations to the group of North Merced stakeholders above and were also interviewed separately by City staff. Merced LAFCO Executive Director Bill Nicholson also participated in the interview process. The feedback from the stakeholders and the consensus of City and LAFCO staff was strongly in favor of EMC Planning Group based on their proposed consultant team, experience with similar projects, and their comprehensive approach to the process.

### Proposed Agreement and Scope of Work

Subsequent to the interviews, City staff asked EMC to modify their proposal to include additional services, including additional public outreach and an expanded wastewater analysis, including plant capacity and phasing options, in support of the formation of a future assessment district for infrastructure improvements.

EMC Planning Group would be the primary consultant and would provide oversight of all project tasks and subconsultants. EMC's consulting team involves several subconsultants, including Applied Development Economics (economic/market conditions); Stantec (wastewater); KD Anderson & Associates (traffic); Red Suit LLC (community engagement); and Northstar Engineering (infrastructure planning).

The scope of work (Exhibit A of Attachment 2) includes the following services for the amount of \$423,136:

- *Project Management and Project Kickoff Meeting (Tasks 1 and 2).*
- *Baseline Conditions (Task 3):* Review all previously adopted plans, environmental documents, entitlement approval documents, as well as supporting information for creating a project baseline and general information, such as current and potential land uses, zoning, environmental constraints, numbers of registered voters living in the study area, available services and utilities, including wastewater, and economic/market conditions.
- *Agency, Service Provider, and Elected Official Meetings (Task 4):* Conduct up to 4 meetings with Merced County LAFCO, Merced County, the City, and other current and future approval agencies and service providers to develop a framework of policy and other critical issues that

will need to be addressed in any future annexation application(s). This task will also include briefings with City and County elected officials.

- *Community Engagement (Task 5)*, including:
  - *Public Outreach/Education*: Tasks include the creation of a database of stakeholders, preparation of an informational handout and FAQ sheets; and social media resources.
  - *Workshops*: This would include 2 community workshops and 1 joint Planning Commission/City Council study session at various points in the Study to gather input from stakeholders and the public.
  - *Assessment Interviews*: This would include the preparation of a questionnaire and up to 15 stakeholder assessment interviews to be conducted both in person and over the phone.
- *Annexation Alternatives Analysis (Task 6)*: Provide an analysis of the benefits and constraints of potential alternatives to annexation, such as out of boundary service agreements, establishment of out of boundary service districts, etc.
- *Feasibility Report (Task 7)*: Preparation of a formal analysis, including findings and recommendations, including annexation pathway options, based on economic feasibility, available infrastructure, landowner and voter interests, development scenarios, etc.
- *Feasibility Report Presentation (Task 8)*: EMC will take the lead in presenting the final study to up to 2 Planning Commission and 2 City Council public hearings.

The anticipated time frame to complete the above work (except the public hearings) would be approximately 6 months or by September 2019.

### Funding for the Project

When the City began the RFP process, Staff had hoped to fund the project through reimbursement agreements with various large North Merced property owners. However, it has become clear over the last few months that a number of the property owners would likely not be willing to provide those funds and there would be an issue of fairness regarding only a few property owners participating. Therefore, City staff began pursuing various funding options and determined that upfront funding was available from Planning's Professional Services account, the fund balance in the Development Services Fund, and the Wastewater fund (specifically for the wastewater related tasks provided by Stantec).

It was also determined that in order to be fair to all the property owners in the study area that the City should develop a reimbursement fee for the process which will be charged to future applicants for annexation within the Study Area. Based on the final cost of the study (\$423,136) and the 7,668-acre Study Area, the fee will generally be approximately \$55.18 per acre. Administrative costs and annual adjustments based on inflation will also need to be added into the final fee so that is a preliminary number. Because establishing new fees requires several public hearings and nexus findings, if the City Council agrees, City staff will return to the City Council in the future with a proposed reimbursement fee that will be added to the Planning Division's Development Application Fee Schedule.

### Recommendation

City staff recommends that the City Council approve the professional services agreement with EMC

Planning Group in the amount of \$423,136, approve the associated budget adjustments, and direct staff to develop a reimbursement fee to cover the cost of the study to be charged to future annexation applicants within the Study Area.

### **IMPACT ON CITY RESOURCES**

The recommendation includes approval of a supplemental appropriation in the amount of \$220,136 in Fund 017-Development Services from the current Fund Balance. \$100,000 was already available in the Planning Division's Professional Services account and another \$103,000 is available in Wastewater Fund 551 "Projects to be Determined." The Finance Officer will make the budget adjustments necessary to pay the consultant.

### **ATTACHMENTS**

1. Map of North Merced Annexation Feasibility Study Area
2. Professional Services Agreement with EMC Planning Group
3. Presentation